



State of Utah

Department of
Natural Resources

ROBERT L. MORGAN
Executive Director

Division of
Oil, Gas & Mining

LOWELL P. BRAXTON
Division Director

OLENE S. WALKER
Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

December 7, 2004

Mr. Rahe Junge
Umetco Minerals Corporation
2754 Compass Drive, Suite 280
Grand Junction, Colorado 81506-8778

Subject: Board Contracts; Umetco Minerals, Inc.; Deremo/Peterson and Wilson
Silverbell Mines; M/037/025 and M/037/027, San Juan County, Utah

Dear Mr. Junge:

Thank you for sending us a copy of your 10-K financial report. Your contracts with the Board of Oil, Gas and Mining require that this report be submitted annually for the Division to review and ensure Umetco or its parent company continues to have adequate financial strength to have a self-bonding agreement with the Board.

Rule R647-4-113.4.16 does not give standards a company must meet to qualify for a self bond, but the values normally used by the Board are:

Ratio of Current Assets/Liabilities	1.2 minimum
Ratio Total Liabilities/Net Worth	2.5 maximum
Tangible Net Worth	\$10 million minimum
Fixed Assets	\$20 million minimum in US

Steve Schneider, the Oil and Gas Audit Manager, has reviewed the 10-K report, and, as you can see from his report (copy enclosed), Umetco's parent company, Union Carbide, does not meet the first two standards.

Since the rules do not specify standards of financial strength, the Board has the prerogative of using what standards it will, but the Board may not be willing to continue the self-bonding agreement with Umetco for its two remaining permitted sites.

Mr. Rahe Junge
Page 2 of 2
M/037/025 and M/037/027
December 7, 2004

The Division believes that, with the exception of revegetation at Deremo/Peterson and on the Wilson waste pile, reclamation has been satisfactorily completed at these sites. We suggest that you take the following actions:

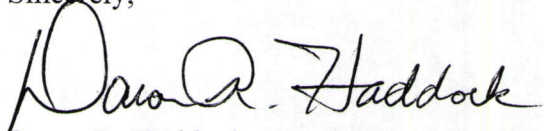
1. Submit reclamation bonds and reclamation contracts to the Division in the amount of \$1600 for Deremo/Peterson and \$4400 for Wilson/Silverbell. The areas bonded under the reclamation contracts would include all of the Deremo/Peterson site and just the Wilson waste pile at Wilson/Silverbell. The amounts are based on the costs to revegetate these sites plus a 10 percent contingency and escalation for three years.
2. Petition the Board for release from the Board Contract and to allow you to substitute these reclamation bonds and contracts for the remainder of the reclamation liability.

Another option would be to request that the Board release you from all but the revegetation requirements at these sites and also ask that they continue your contract. Since there is not a lot of work remaining to be done, the Board may be willing to do this.

By December 22, 2004, please let us know what action you intend to take to resolve this problem and provide a schedule for submitting your requests to the Board.

We appreciate the cooperation you have shown and your willingness to communicate and work with us on reclamation issues, and we hope to continue this positive relationship. If you have any questions about this letter or about the Board's processes, please call me at 801-538-5325.

Sincerely,



Daron R. Haddock, Permit Supervisor
Minerals Regulatory Program
Division of Oil, Gas and Mining

DRH:PBB:jb
Enclosure: Report from Steve Schneider
cc: Blaine Rawson, Holme, Roberts, and Owen
O:\M037-SanJuan\M0370027-Wilson-Silverbell\draft\ltr-bond-12012004.doc



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November 24, 2004

To: Mark Mesch, Acting Associate Director of Mining *MM*
Thru: Daron Haddock, Minerals Permit Supervisor *DH*
From: Steve Schneider, Oil & Gas Audit Manager *Steve*
Re: Union Carbide Corporation Financial Review

I have reviewed the current annual report recently provided by Union Carbide Corporation. In addition, I have secured the Union Carbide Corporation financial statement for the most current quarter, September 30, 2004, from the Securities and Exchange Commission website at www.sec.gov.

Union Carbide's financial condition, as shown on the attached schedule, fails the minimum specifications as identified on the self-bonding qualification form. The financial ratio of current assets/current liabilities does not meet the minimum and the financial ratio of total liabilities/net worth exceeds the maximum.

I can be reached at 538-5328 if there are additional questions.

Attachment

UNION CARBIDE CORPORATION

	<u>2002</u>	<u>2003</u>	<u>9/30/2004</u>
Current Assets / Current Liabilities (Minimum of 1.2)	0.82	0.99	0.89
Total Liabilities / Net Worth (Maximum of 2.5)	5.81	3.69	2.79

FINANCIAL STATEMENT DATA (Millions of Dollars, Worldwide)

	<u>2002</u>	<u>2003</u>	<u>9/30/2004</u>
Current Assets	1,420	1,041	1,043
Current Liabilities	1,728	1,049	1,171
Total Liabilities	6,325	5,116	4,968
Tangible Net Worth (Minimum of 10 Million)	1,040	1,339	1,739
Fixed Assets (Minimum of 20 Million in U.S.)	2,545	2,243	2,101

Prepared by: Steve Schneider
Utah Division of Oil, Gas & Mining
11/24/2004

RECLAMATION SURETY ESTIMATE

Umetco Minerals Corporation

Wilson-Silverbell & Deremo-Peterson

DOGM file Number M/037/025 & M/037/027

Prepared by Utah State Division of Oil, Gas & Mining

filename M037-025 & 027.xls

San Juan County

This bond is calculated for revegetation purposes only

This surety reflects costs to revegetate both the Wilson-Silverbell and Deremo-Peterson areas.

Costs are apply to 6.9 acres at the Wilson-Silverbell & 2.5 acres at the Deremo-Peterson

Note: Costs include discing to prepare the seedbed, mobilization and demobilization of all equipment, labor supplies and management.

Note: actual unit costs may vary according to site conditions last unit cost update 10/07/02**-Amount of disturbed area which will receive reclamation treatments =** 9.4 acres**-Estimated total disturbed area for this mine =** 9.4 acres

Activity	Quantity	Units	\$/unit	\$	Note
<u>Wilson-Silverbell Area</u>					
Seeding costs		1 lump sum	2798	2798	
<u>Deremo-Peterson Area</u>					
Seeding costs		1 lump sum	1554	1554	
General site cleanup & trash removal	9.4 acre		50	470	(00)
Subtotal				4822	
10% Contingency				482	
Subtotal				5304	
Escalate for 5 years at 2.59% per year				723	
Total				6028	
Rounded surety amount in year 2009 \$				6000	
Average cost per disturber acre =		641			